

10 August 2016

ALTECH – APPOINTMENT OF DUE DILIGENCE CONSULTANTS

Highlights

- Altech and KfW IPEX-Bank appoint lenders due diligence consultants
- Technical, market and legal due diligence
- Reputable international audit firm to provide “expert opinion” also mandated
- Due diligence initiation meeting held in Stuttgart, Germany
- Due diligence site visits at Meckering and Johor conducted last week

Altech Chemicals Limited (Altech/the Company) (ASX: ATC) is pleased to provide an important update on the progress of financing for its proposed high purity alumina (HPA) project.

Following the announcement on 3 August 2016, of a positive pre-assessment by the German Government inter-ministerial committee (IMC) and Euler Hermes Aktiengesellschaft (Euler Hermes) of Altech’s export credit project finance application (refer ASX Announcement dated 3 August 2016 for details), due diligence consultants have now been appointed.

The due diligence consultants are to undertake the definitive technical, market and legal review of the project on behalf of the proposed financier, Germany’s government-owned KfW IPEX-Bank supported by German export credit agency Euler Hermes.

The appointment of the due diligence consultants is a significant milestone for project financing and will culminate in the provision of an “expert opinion” on the projects viability and risks.

The appointed due diligence consultants are:

Technical

M.Plan International Limited

Review the technical, environmental and social aspects of the project. Including amongst others, the geology, mineral resources and reserves, metallurgical test work, construction budget and schedule, infrastructure, permitting, environmental and social aspects.

Market

Persistence Market Research

Assessment and confirmation of HPA target market, product production, consumption, demand, trade, and a review and validation of proposed sale quantities and considered prices use in the project financial modelling.

Legal

Freshfields Bruckhaus Deringer

Assessment and confirmation of legal aspects of the project including permits, licences, contractual terms, structuring, and financial transactions. Adnan Sundra & Low is engaged as Malaysian counsel and Minter Ellison as Australian counsel. Freshfields will act as lenders' legal counsel to KfW.

Expert Opinion on Financing for Euler Hermes

An Expert Opinion on the project's overall viability, assessment and justification of project risks will be provided by a "reputable international audit firm". The expert opinion is required for the grant of export credit cover for project financed transaction and issued to the responsible authorities of the Federal Republic of Germany (FRG) represented by the German Export Credit Agency (ECA) - Euler Hermes.

A due diligence initiation meeting was held in Stuttgart, Germany recently, with representatives from the appointed due diligence consultants as well as M+W Group (engineering procurement and construction contractor) and KfW IPEX-Bank in attendance. At the meeting technical due diligence consultants M.Plan International Limited and market due diligence consultants Persistence Market Research each presented their initial preliminary findings, which identified no fatal flaws in the project. The initiation meeting was chaired and facilitated by Altech managing director Iggy Tan, in conjunction with KfW IPEX-Bank project leaders.

Due diligence activities have now progressed to the next stage and site visits were conducted last week by the various consultants, to the Company's Meckering kaolin deposit; the HPA pilot plant site at Simulus Engineering's Perth testing facility and to the proposed HPA plant site at the Tanjung Langsat Industrial Complex, Johor, Malaysia.



Site visit at Meckering kaolin deposit



Simulus Engineering Laboratory Pilot Plant



Simulus Engineering Laboratory Pilot Plant



Simulus Engineering Laboratory Kiln



TSW Laboratories



Johor HPA Plant Site



Tanjung Pelepas Container Port

Altech managing director Mr Iggy Tan said, “The commencement of the Lenders detailed project due diligence is a significant advance towards finalising project financing. The site visits last week follow an extremely constructive due diligence initiation meeting in Stuttgart, Germany during which all participants were updated on the status of project detailed design and funding plans. The site visits enabled the consultants to quickly familiarise themselves with the project, the Company and provided for specific queries to be answered in a most effective manner.”

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About Altech Chemicals (ASX: ATC)

Altech Chemicals Limited (Altech/the Company) is aiming to become one of the **world's leading suppliers of 99.99% (4N) high purity alumina (HPA)** (Al_2O_3).

HPA is a high-value, high margin and highly demanded product as it is the critical ingredient required for the production of artificial sapphire. Artificial sapphire is used in the manufacture of substrates for LED lights, semiconductor wafers used in the electronics industry, and scratch-resistant artificial sapphire glass used for wristwatch faces, optical windows and smartphone components. There is no substitute for HPA in the manufacture of artificial sapphire.

Global HPA demand is approximately 19,040tpa (2014) and demand is growing at an annual rate of 28%, primarily driven by the growth in worldwide adoption of LEDs. As an energy efficient, longer lasting and lower operating cost form of lighting, LED lighting is replacing the traditional incandescent bulbs. HPA demand is expected to at least double over the coming decade.

Current HPA producers use an expensive and highly processed feedstock material such as aluminium metal to produce HPA. Altech has completed a Bankable Feasibility Study (BFS) for the construction and operation of a 4,000tpa HPA plant at Tanjung Langsat, Malaysia. The plant will produce HPA directly from kaolin clay, which will be sourced from the Company's 100%-owned kaolin deposit at Meckering, Western Australia. Altech's production process will employ conventional "off-the-shelf" plant and equipment to extract HPA using a hydrochloric (HCl) acid-based process. Production costs are anticipated to be considerably lower than established HPA producers.

The Company is currently in the process of securing project financing with German KfW IPEX-Bank.



Forward-looking Statements

This announcement contains forward-looking statements which are identified by words such as 'anticipates', 'forecasts', 'may', 'will', 'could', 'believes', 'estimates', 'targets', 'expects', 'plan' or 'intends' and other similar words that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.